
Update from the ISSB: better information for better decisions

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Overview

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2. ISSB Update: Key Milestones

3. IFRS S1 & S2

4. Next steps

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6. Global support

Structure

Public accountability

IFRS Foundation Monitoring Board

Governance, strategy, oversight

IFRS Foundation Trustees

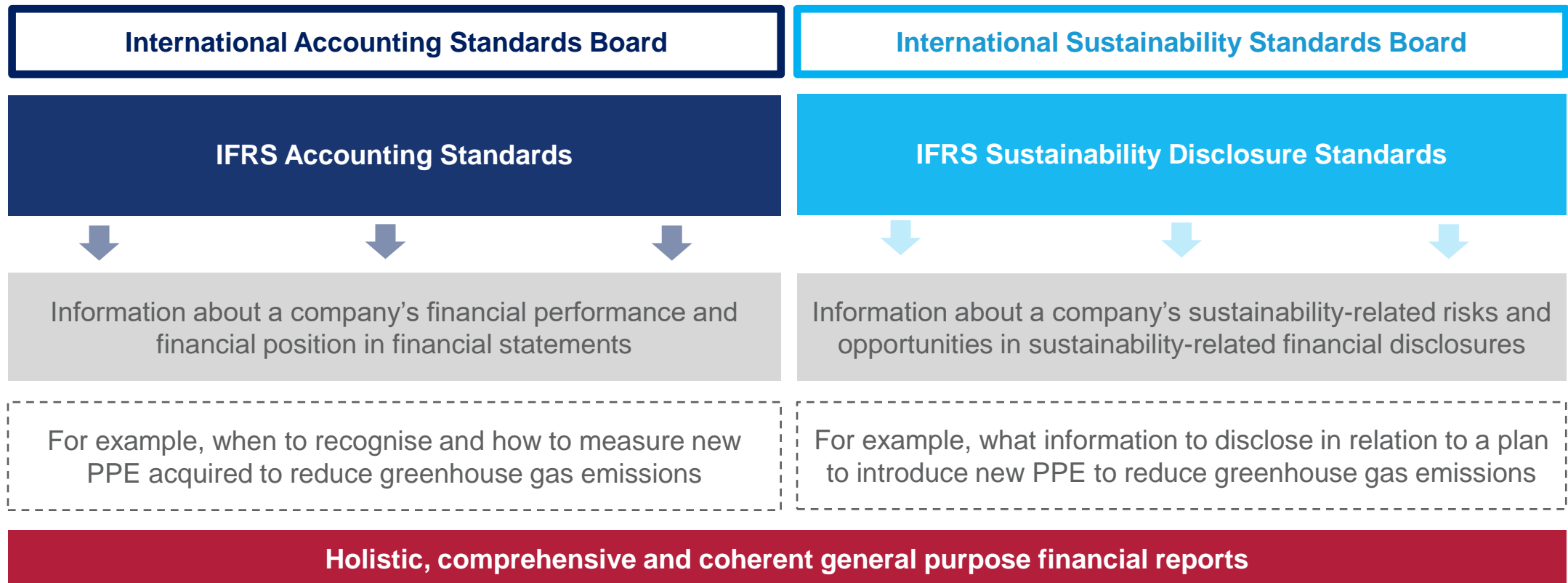
Independent standard-setting

International Accounting
Standards Board (IASB)

International Sustainability
Standards Board (ISSB)

IFRS Interpretations Committee

Roles of the Boards



Shared concepts

Information is material if omitting, misstating or obscuring it could reasonably be expected to **influence investor decisions**.

Based on the IASB's definition of 'material'.



Coherent reporting package

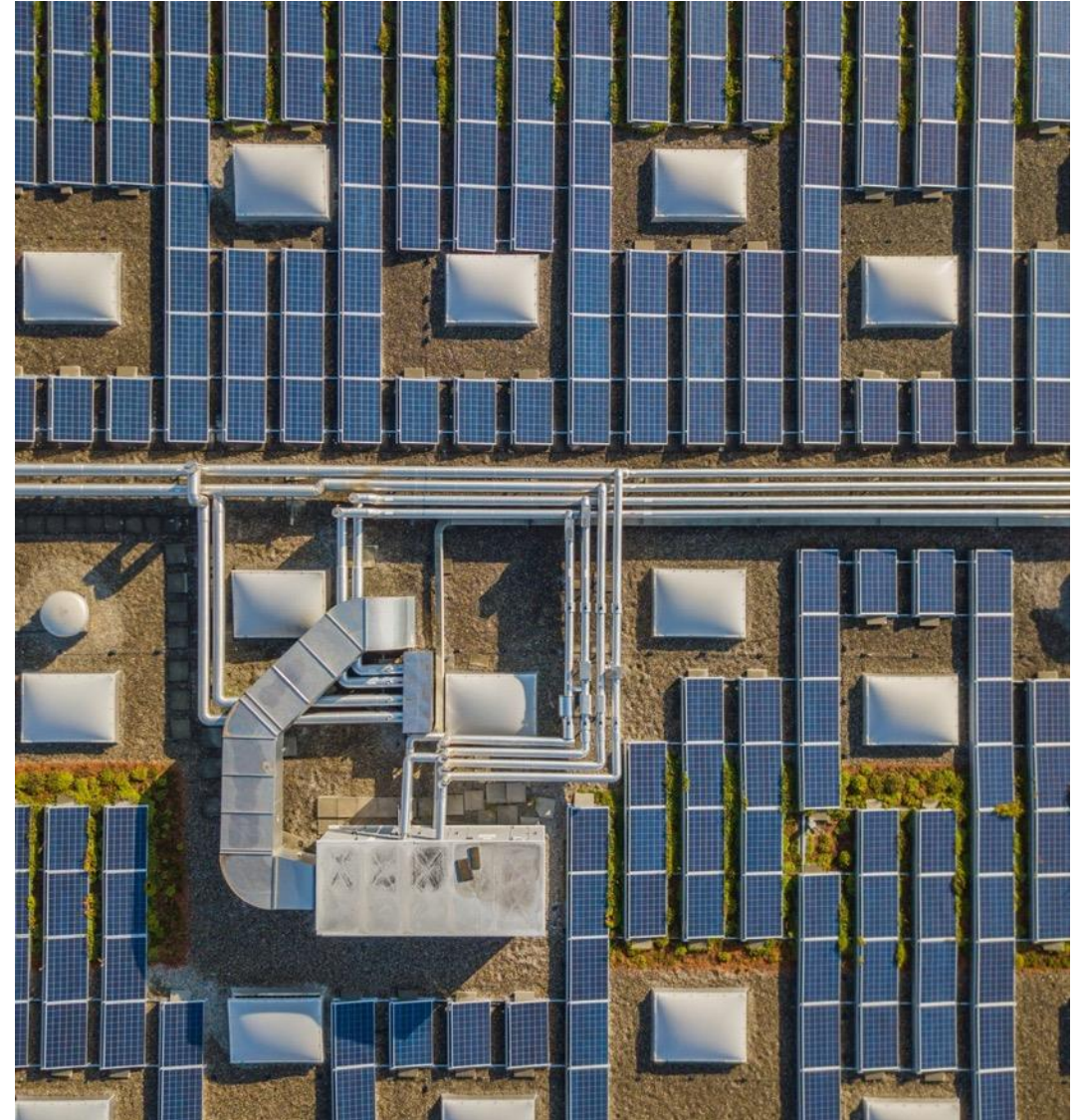
- Sustainability-related financial disclosures and the related financial statements are:
 - prepared for the **same reporting entity**
 - covering the **same reporting period**
 - published at the **same time**
 - provided as part of a company's **general purpose financial reporting package**
- The ISSB does not prescribe specific location of the sustainability-related financial disclosures within a company's general purpose financial reports



The ISSB was established as part of the IFRS Foundation because of strong market demand (including the G20, G7, IOSCO and the Financial Stability Board).

Around the world, sustainability factors are becoming – if they are not already – a mainstream part of investment decision-making.

These factors are also increasingly central to how companies plan, manage and report.



Making ISSB Standards the global baseline



ISSB

provide comprehensive global baseline through Standards



IOSCO

endorses the ISSB Standards recommending adoption



Audit standard-setters

enhance and develop assurance standards



Jurisdictions

require by adopting the Standards



Market participants

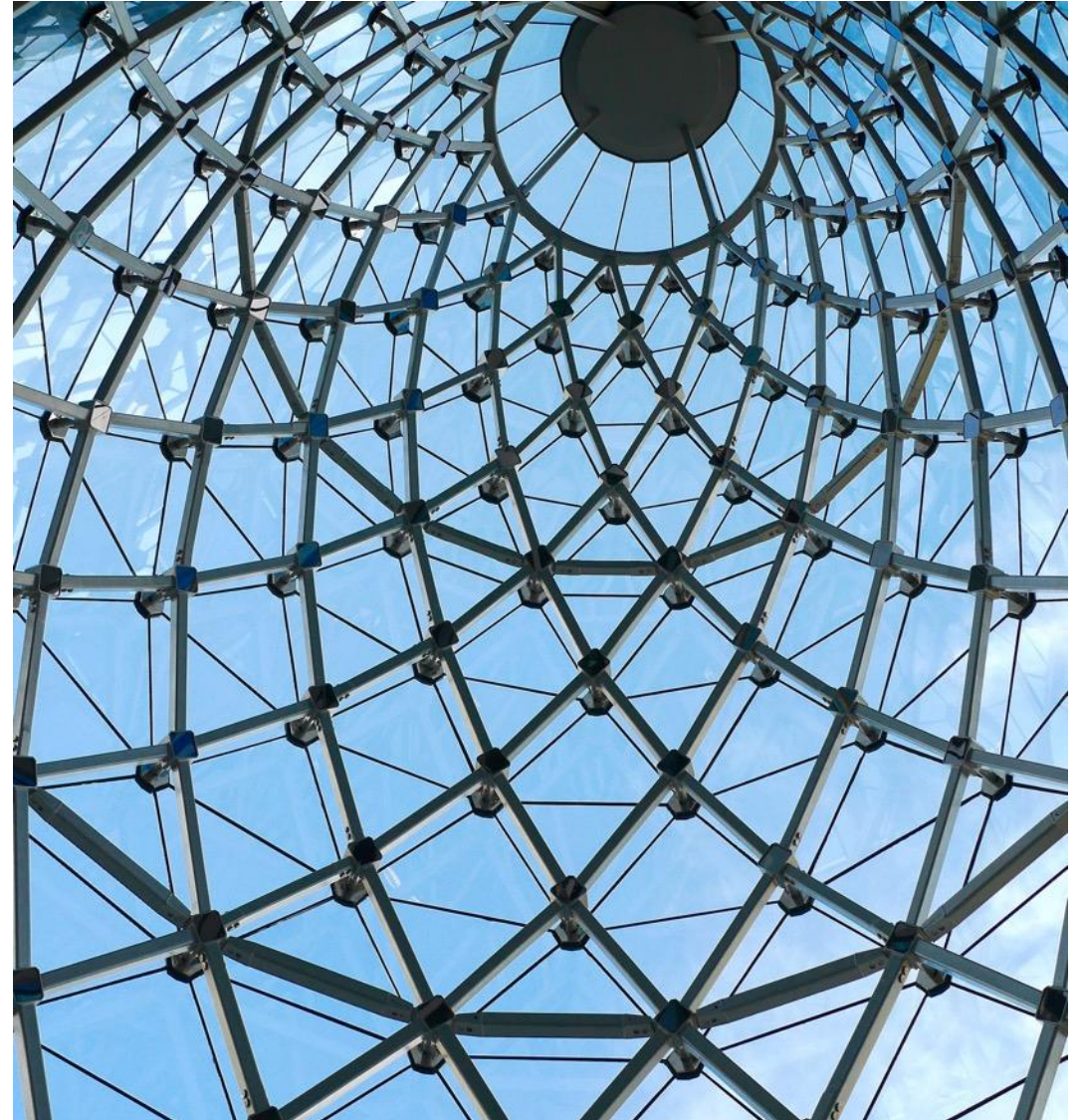
voluntarily opt to apply the Standards



2. ISSB Update: Key Milestones

Key milestones: delivering a truly global baseline

- ISSB issues IFRS S1 and IFRS S2, **26 June**
- Financial Stability Board announce work of the TCFD now completed due to ISSB Standards and transfers responsibilities for monitoring progress on climate-related disclosures, **6 July**
- IOSCO endorse ISSB Standards following a comprehensive review, **25 July**
- European Commission, EFRAG and ISSB confirm ‘high degree of alignment’ in climate-related disclosure requirements, **31 July**

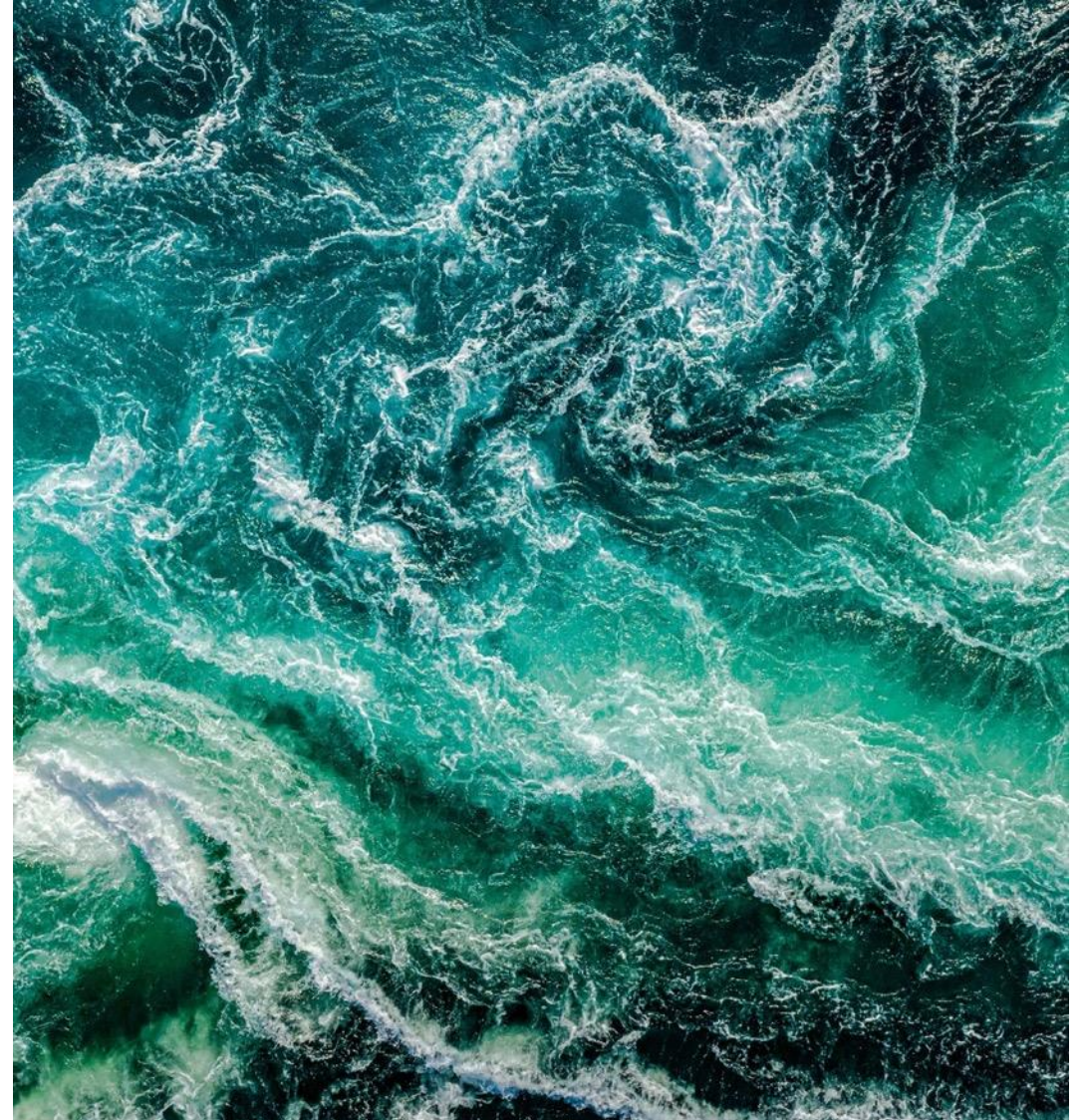


Strong market demand

The ISSB was established to address investor, company and international policy makers demand for:

- **decision-useful, comparable** information
- **ending the ‘alphabet soup’** of voluntary initiatives
- an **efficient reporting landscape**

The ISSB has a transparent, rigorous due process to develop market-informed Standards that respond to these needs



ISSB Standards enhance investor-company dialogue



Decision-useful

Developing globally comparable sustainability-related disclosures - that are assurable - to meet the information needs of investors



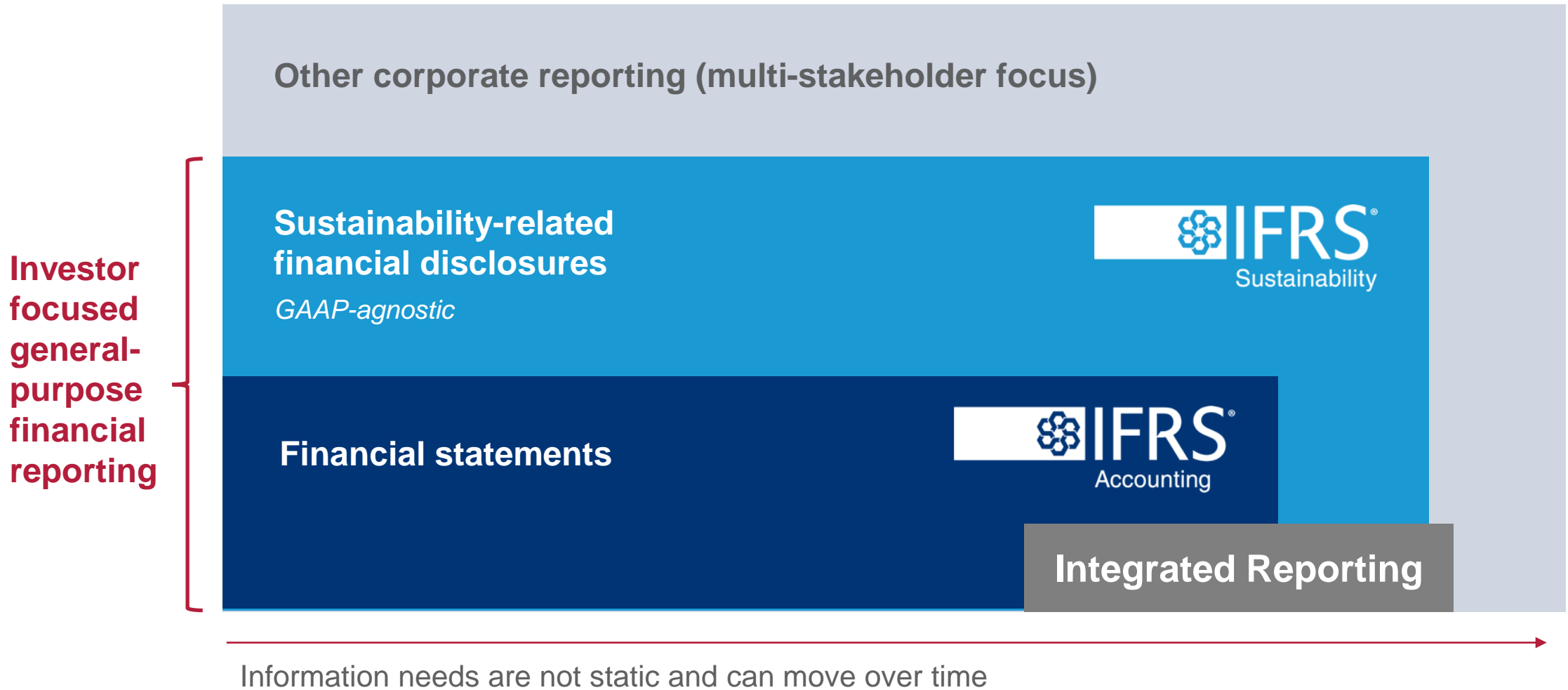
Cost-effective

Enabling companies to communicate to investors globally comparable, comprehensive information about sustainability-related risks and opportunities

Rationalising investor-focused standards and frameworks



Sustainability information tailored to audience needs



A truly global baseline of disclosures



additional
building blocks

- can be added to meet jurisdiction-specific requirements
- can be added to meet broader multi-stakeholder needs

ISSB Standards

- provide a comprehensive foundation of disclosures for global jurisdictional adoption
- are a common language for comparable, decision-useful disclosures
- are designed to meet investor needs across global capital markets

Jurisdictional journey: Adopting ISSB Standards

- Supporting regulators adopt the Standards in a timely, consistent and comprehensive manner
- Adoption Guide to be published later this year - supporting jurisdictional regulatory pathways to adoption
- IFRS Foundation [High-level roadmap](#) (a precursor to the Adoption Guide) outlines approach to adoption considerations

Jurisdictions on the adoption journey include:



- Australia
- Brazil
- Canada
- Hong Kong
- Japan
- Kenya
- Zimbabwe
- Nigeria
- Mexico
- Singapore
- UK
- Philippines
- Ghana
- **South Africa?**

How the Standards evolved

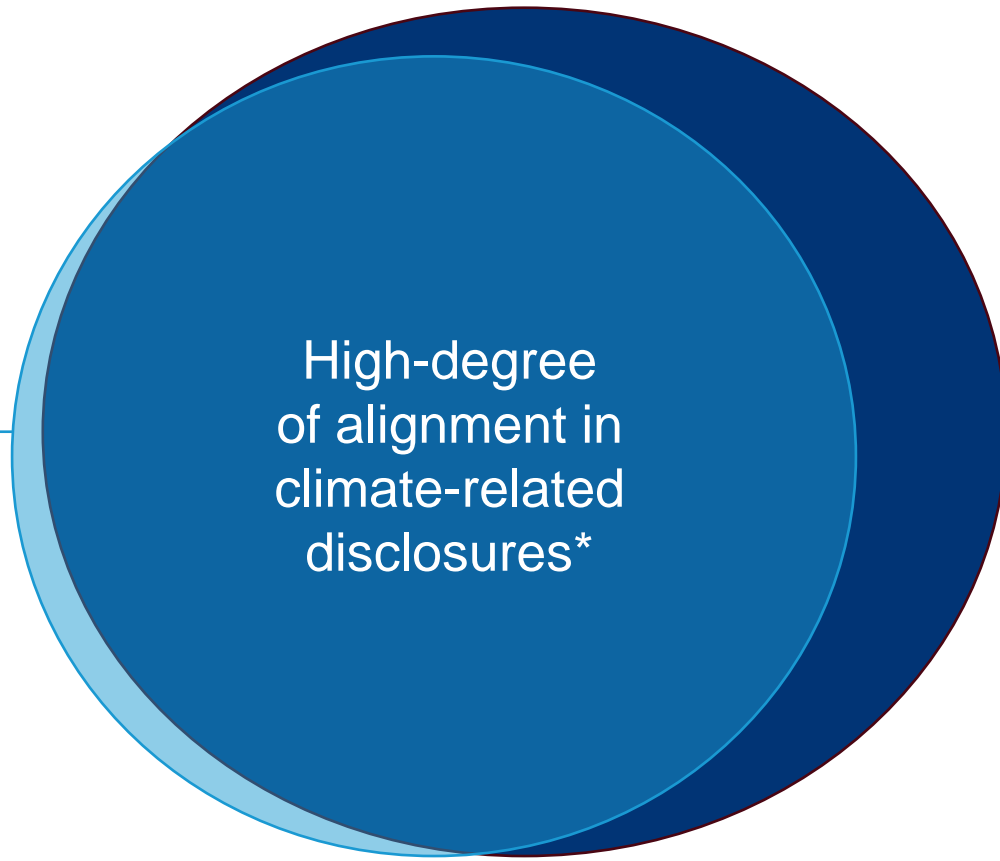
Key areas the ISSB addressed feedback:

- additional **interoperability** considerations
- further **proportionality** mechanisms and transitional reliefs
- confirmed that industry-specific disclosures are required, but **industry-based disclosure topics and metrics provided as guidance** rather than required disclosures

Consultation in numbers...

- **120**-day consultation
- **400+** outreach sessions
- **1400+** responses
- **36** staff papers reflecting feedback
- **10** ISSB meetings to deliberate

ISSB Standards: ←
Additional requirements
(eg financed emissions)



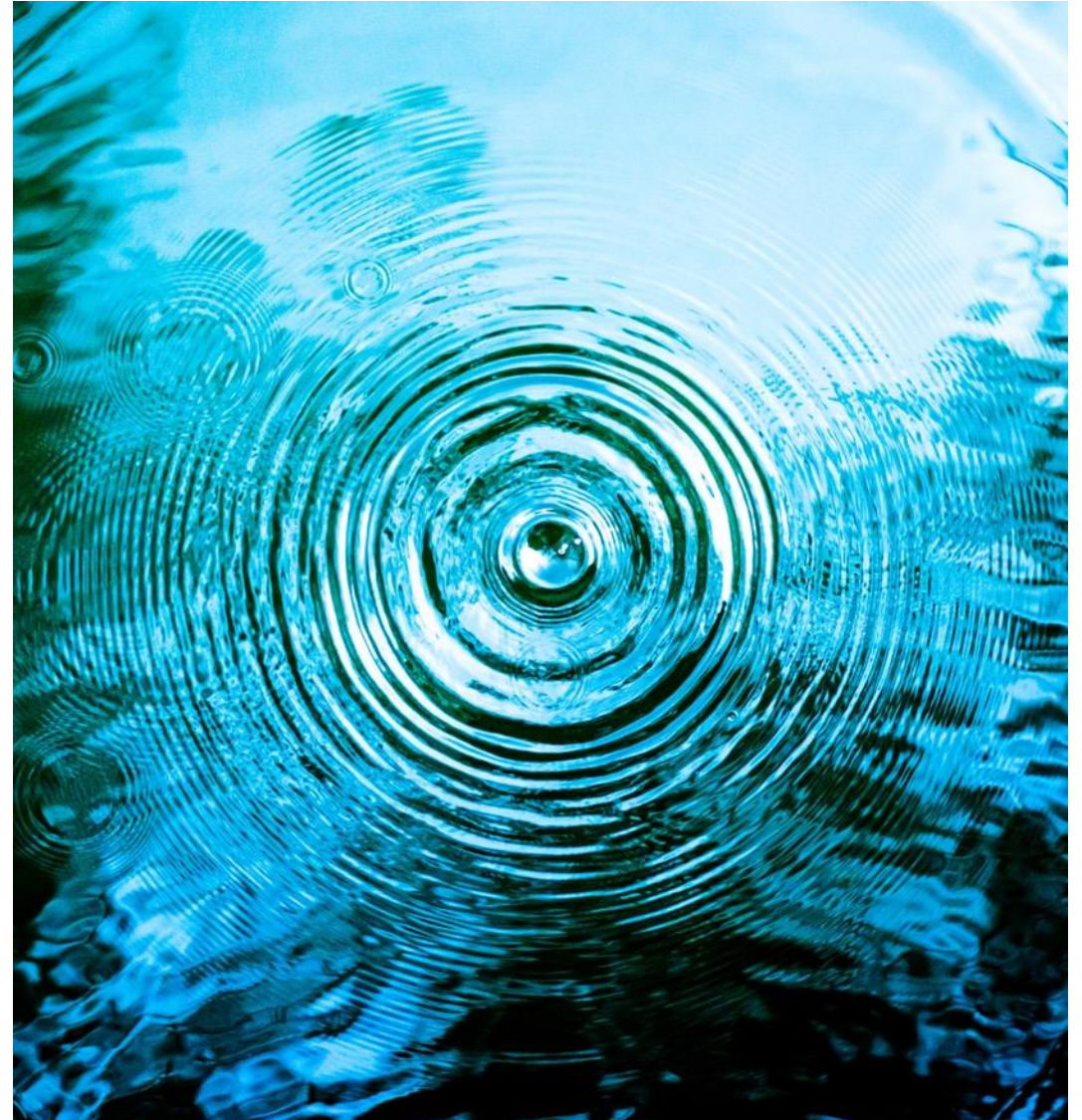

ESRS:
Additional requirements for stakeholders interested in impacts (that do not create risks or opportunities for a company's prospects) and information that if missing or obscured is not reasonably expected to affect investor decisions

Interoperability: High-degree of alignment around disclosures to provide decision-useful information for investors on risk management and how dependencies and impacts create risks and opportunities for a company's financial position and prospects

* The ISSB, the European Commission and EFRAG are discussing how to explain the alignment and interoperability between the respective standards, including the choices a company needs to make to enhance alignment and where the standards have specific requirements.

ISSB Standards endorsed by international securities regulators (IOSCO):

- IOSCO endorsement sends strong signal that ISSB Standards are **fit for purpose** for capital market use
- Creates **trust** in ISSB Standards for jurisdictions
- IOSCO calling on **130 member jurisdictions** to consider how they can incorporate ISSB Standards into respective regulatory frameworks
- Historic **milestone** echoing IOSCO's sole previous endorsement, which was of IFRS Accounting Standards 20+ years ago

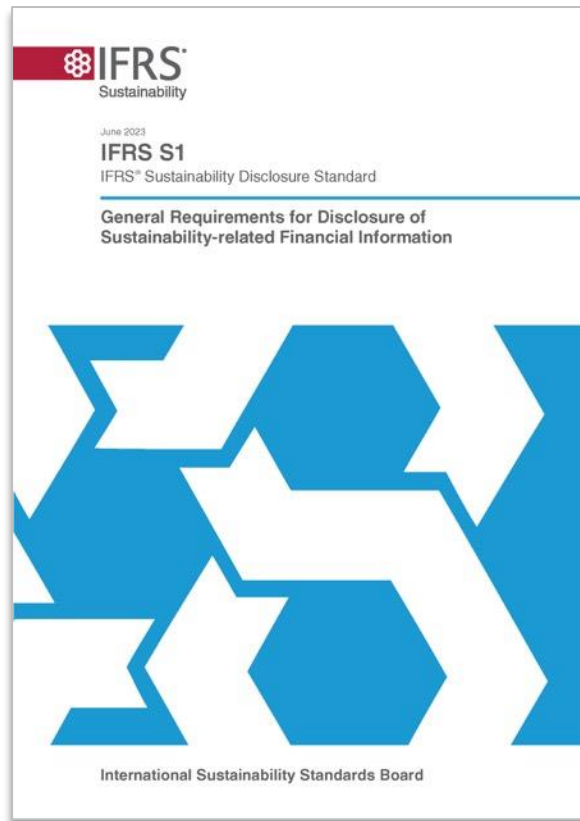




**IFRS S1
&
IFRS S2:**



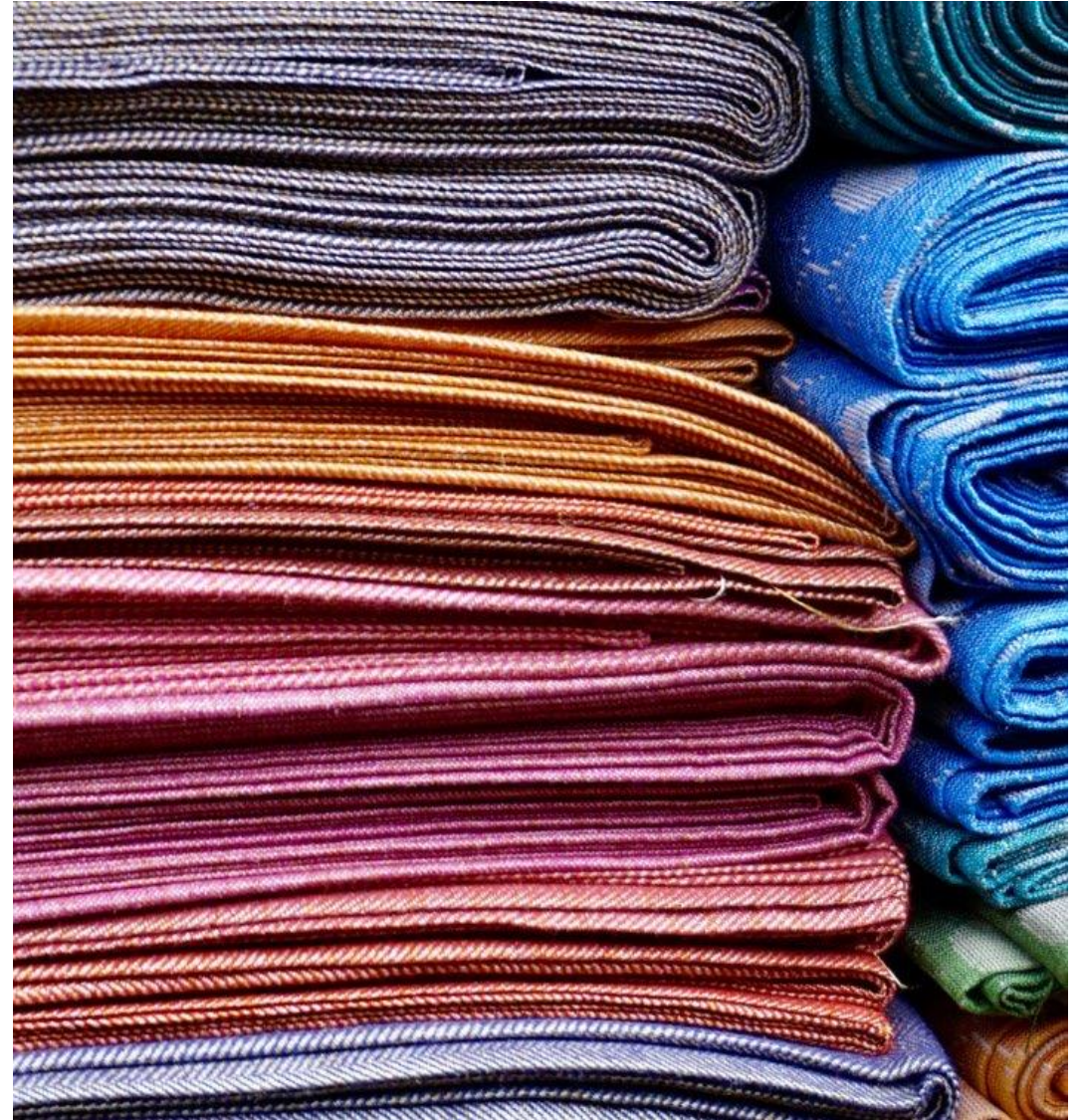
IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information



- Asks for disclosure of **material information** about **sustainability-related risks and opportunities** with the financial statements, to meet investor information needs
- Applies **TCFD architecture** whenever providing information about sustainability
- Requires **industry-specific disclosures**
- For matters other than climate (IFRS S2) refers to **sources to help companies** identify sustainability-related risks and opportunities and information
- Can be used in conjunction with **any accounting requirements (GAAP)**

Objective

- IFRS S1 asks for disclosure of information about sustainability-related risks and opportunities to meet investor information needs
- That means information about:
 - all sustainability-related risks and opportunities that **could reasonably be expected to affect the company's prospects — its cash flows, access to finance or cost of capital over the short, medium or long term**



How sustainability can affect a company's prospects

A company's ability to deliver financial value for **investors is inextricably linked to:**

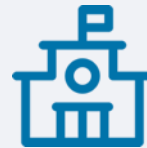
Stakeholders

with whom it works
and serves



Society

in which it
operates



Natural

resources upon
which it draws



Builds on concepts from the **Integrated Reporting Framework**

Connecting the dots

The **resources and relationships** that a company **depends on and affects** can take various forms, such as natural, manufactured, intellectual, human, social or financial.

These can be **internal** – such as the ability to attract and retain talent or **external** – such as relationships with suppliers, distributors and customers

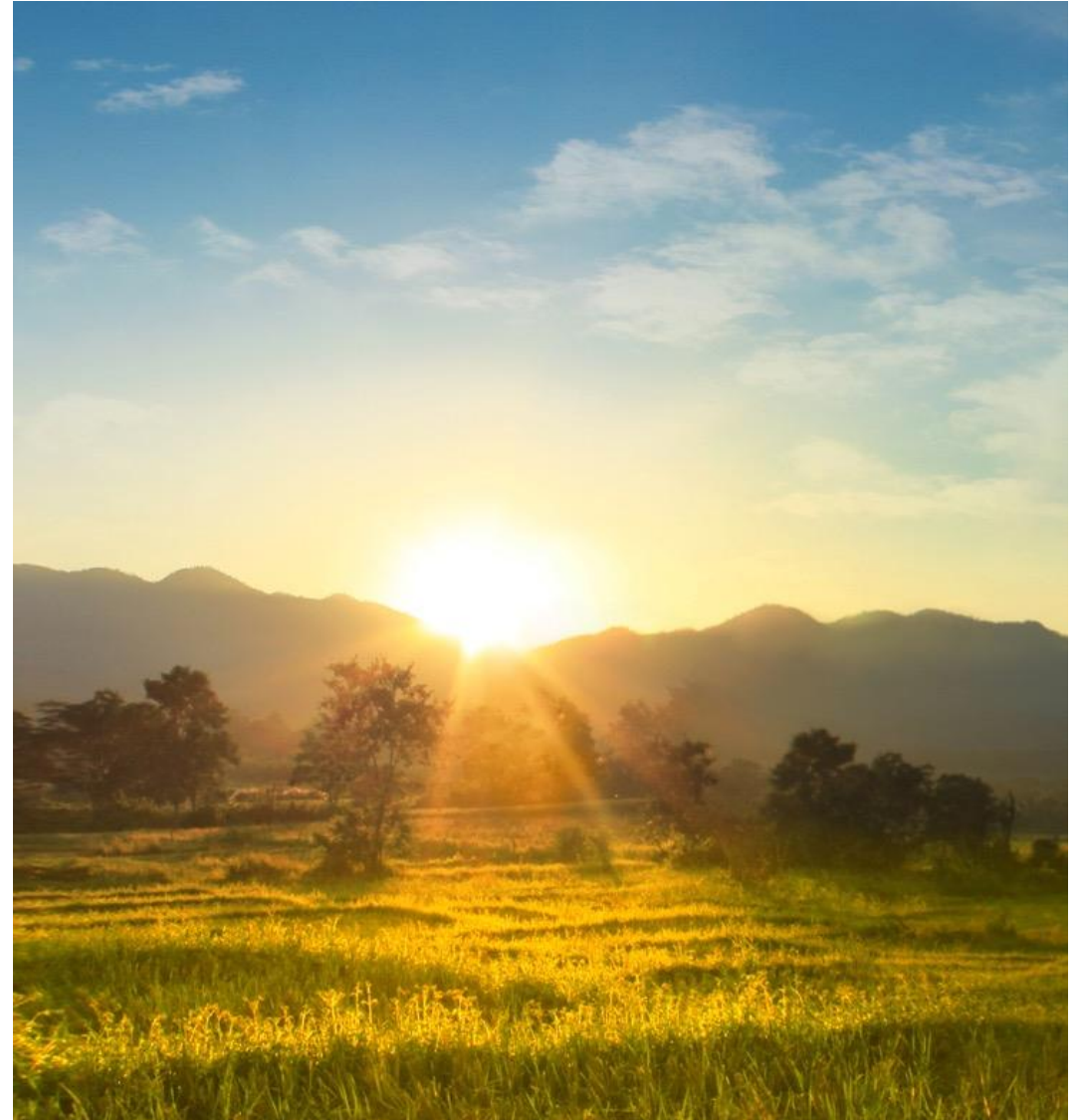
IFRS S1 provides examples illustrating the close relationship between the value a company **creates, preserves or erodes** for others and its own ability to **succeed and achieve its goals**.



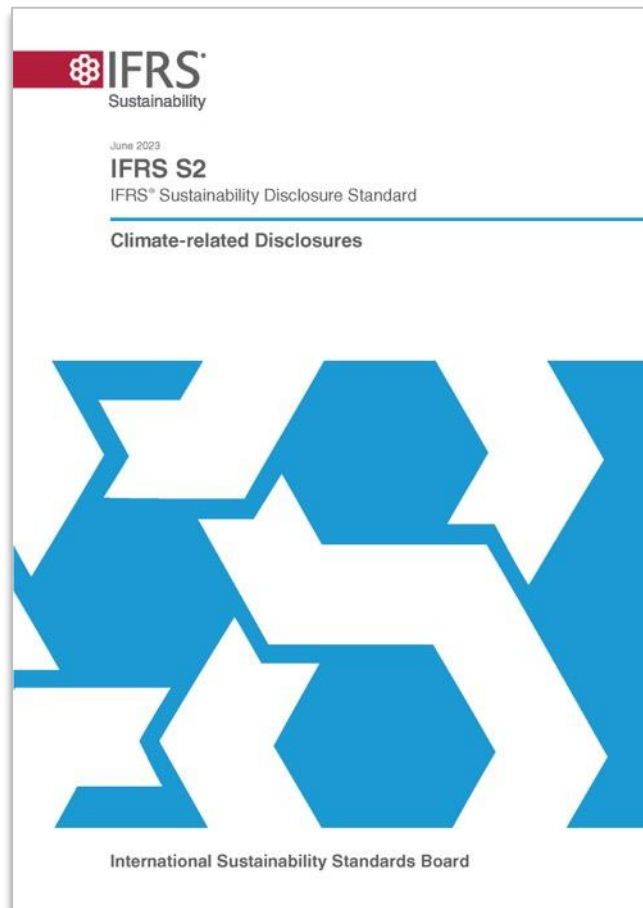
Anticipated financial effects

- the use of all reasonable and supportable information available to the company without undue cost or effort
- the use of an approach that is commensurate with its available skills, capabilities and resources

A company does not need to provide quantitative information on anticipated financial effects if it lacks the skills, capabilities or resources to do so. Instead, they are asked to provide qualitative information.



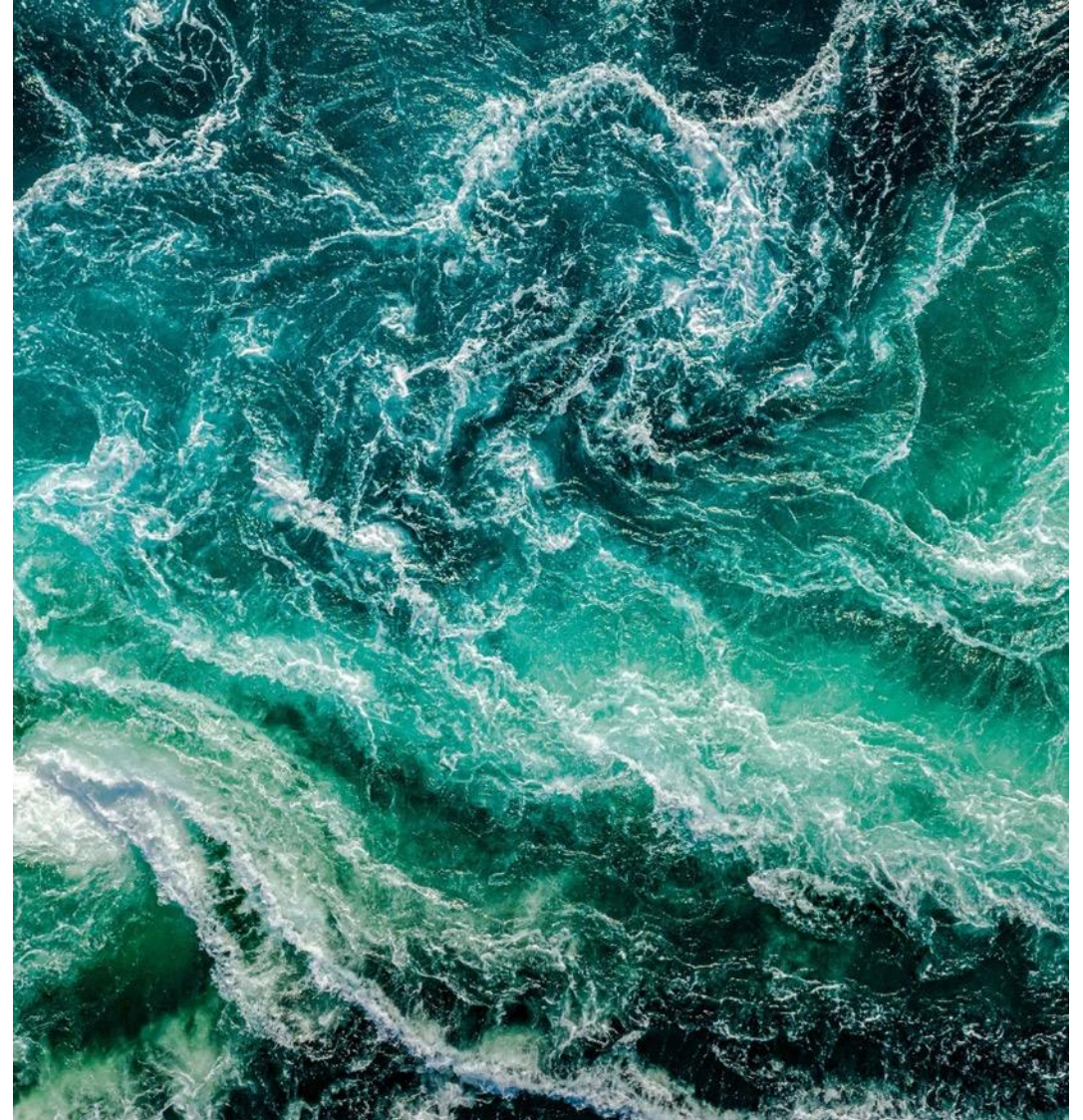
IFRS S2: Climate-related Disclosures



- Incorporates the **TCFD recommendations**
- To meet investor information needs, IFRS S2:
 - is used in accordance with **IFRS S1**
 - requires disclosure of **material information about climate-related risks and opportunities**, including physical and transition risks
 - requires **industry-specific disclosures**, which are supported by accompanying guidance built on SASB Standards

Material climate-related information enables investors to:

- Determine the effects of **climate-related risks and opportunities on the company's performance and prospects**
- Understand the company's response to, and **strategy** for, managing its climate-related risks and opportunities, including its climate-related **transition planning**
- Evaluate the ability of the company **to adapt its planning, business model and operations** to climate-related risks and opportunities
- Understand climate-related risks and opportunities in a **company's value chain**



Applies TCFD structure to set out core content areas



Governance

Governance processes, controls and procedures a company uses to monitor, manage and oversee sustainability-related risks and opportunities



Strategy

A company's strategy for managing sustainability-related risks and opportunities



Risk management

The process a company uses to identify, assess, prioritise and monitor sustainability-related risks and opportunities



Metrics and targets

A company's performance in relation to sustainability-related risks and opportunities

IFRS S2 needs to be applied with IFRS S1

IFRS S1:

- establishes **key concepts** such as connected information, value chains, and which sustainability- and climate-related risks and opportunities to report on
- provides vital guidance on the **assessment of materiality**
- sets out the **qualitative characteristics** of the information to be provided, eg that it needs to be relevant and represented faithfully
- sets out **requirements** for reporting, such as:
 - the reporting entity
 - timing and location of reporting
 - connections and comparatives in reporting
- sets out how to deal with changes in estimates and errors, disclosures on judgements, assumptions and estimates, requirements on when to aggregate and disaggregate information, focussed exemptions from disclosing commercially sensitive opportunities, and the interaction with law and regulation

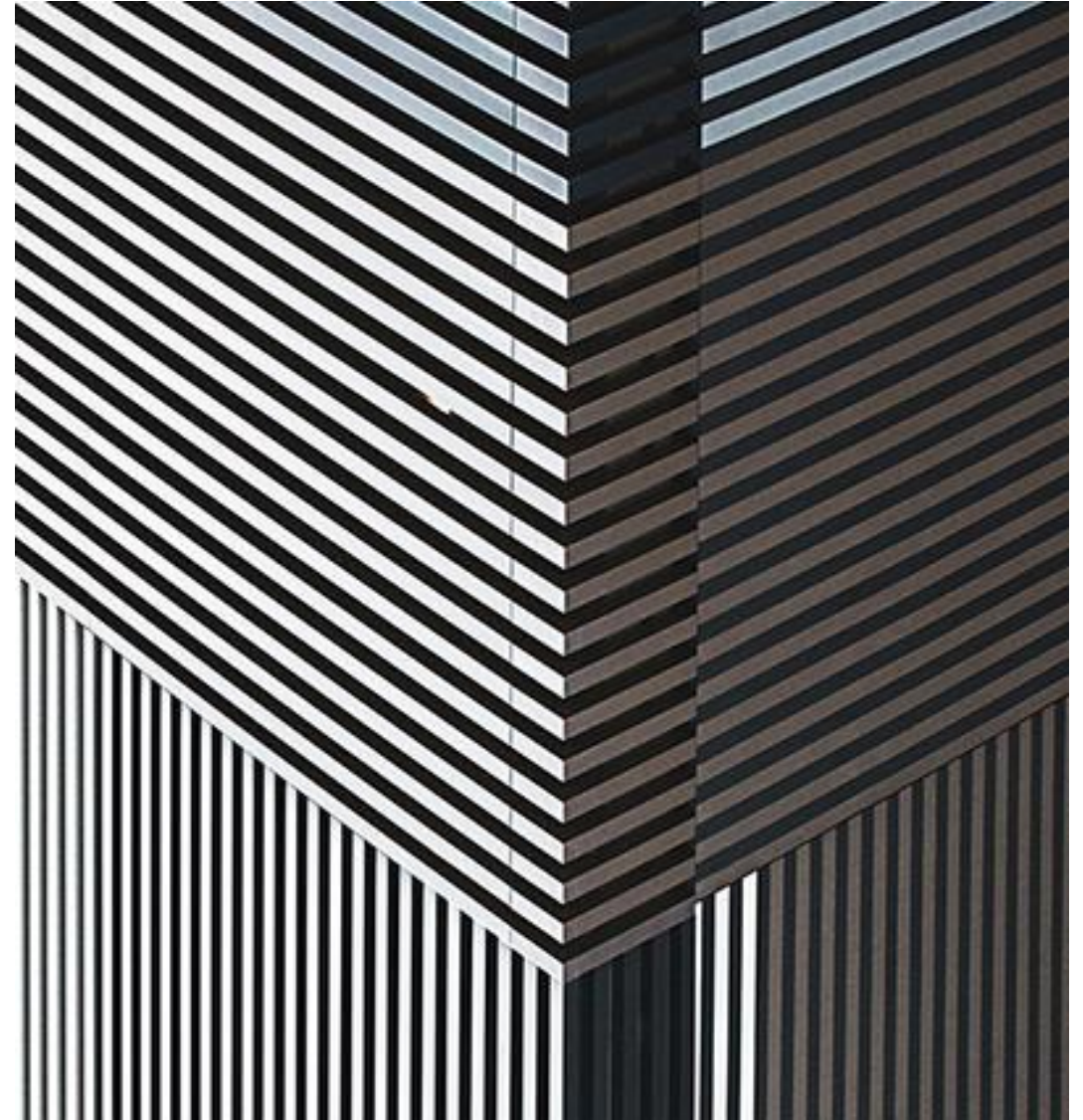
Assurability

It is important that investors can be confident about the robustness of the information provided when companies use ISSB Standards

The Standards have been designed so that information provided can be assured, for example, through:

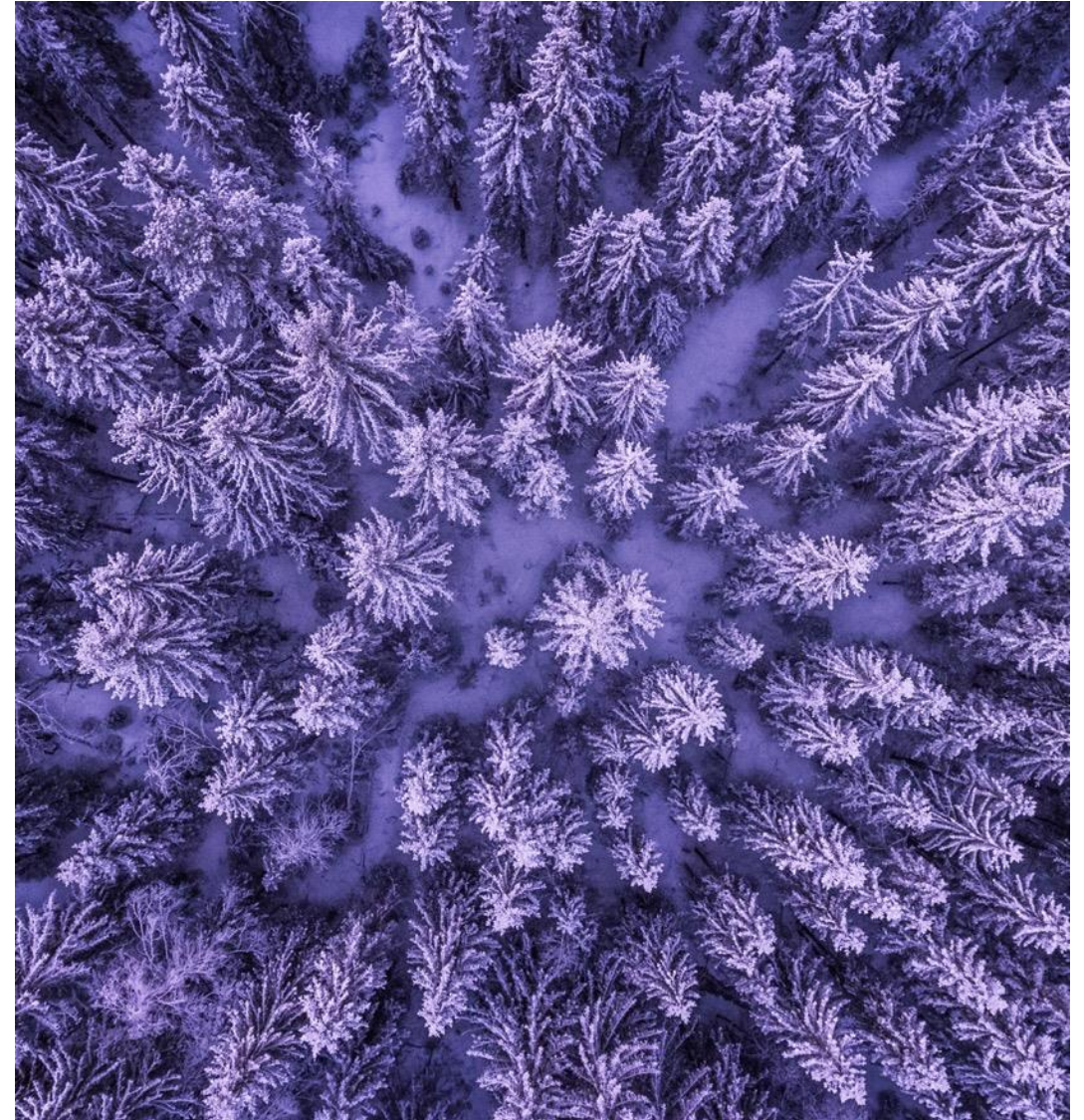
- use of reasonable and supportable information
- disclosures about the use of judgements, assumptions and estimates

The ISSB is in dialogue with the International Auditing and Assurance Standards Board (IAASB), who develops Auditing and Assurance Standards.



Mechanisms that support application

- Use of well-known **terminology and concepts**
- Proportionate:
 - the instruction to **use reasonable and supportable** information available without **undue cost or effort**
 - consideration of **skills, capabilities and resources**
- Help through:
 - **guidance** within the Standards and educational materials
 - **sources of guidance** to identify sustainability-related risks and opportunities, and metrics
 - other clarifications, such as permitting **qualitative** scenario analysis and qualitative information on financial effects
- Transitional **reliefs**



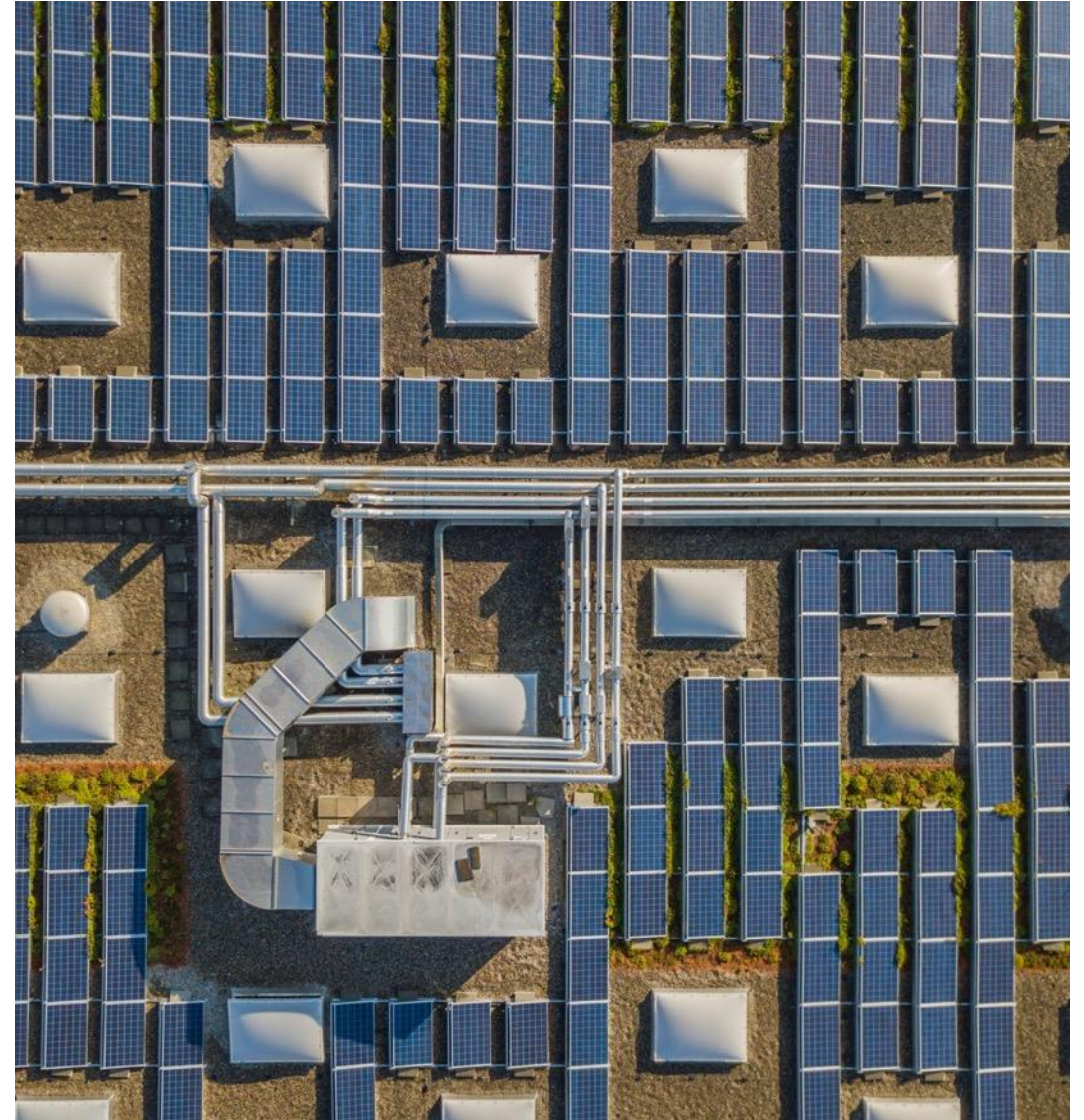


Next steps



Supporting implementation of IFRS S1 and IFRS S2

- Transition Implementation Group
- Educational material
- Knowledge Hub
- Interoperability
- IFRS Sustainability Disclosure Taxonomy



Four-pillar strategy to support adoption and use of ISSB Standards

Proportionality and guidance built into IFRS S1 and IFRS S2

Transition reliefs - with possibility of jurisdictional extensions

Implementation strategy for ISSB Standards

Adoption Guide to support scalability and jurisdictional phasing in

Additional support – including **Capacity Building** for industry and jurisdictions

Agenda consultation

Public consultation on four projects to further understand standard-setting priorities:

- biodiversity, ecosystems and ecosystem services
- human capital
- human rights
- integration in reporting

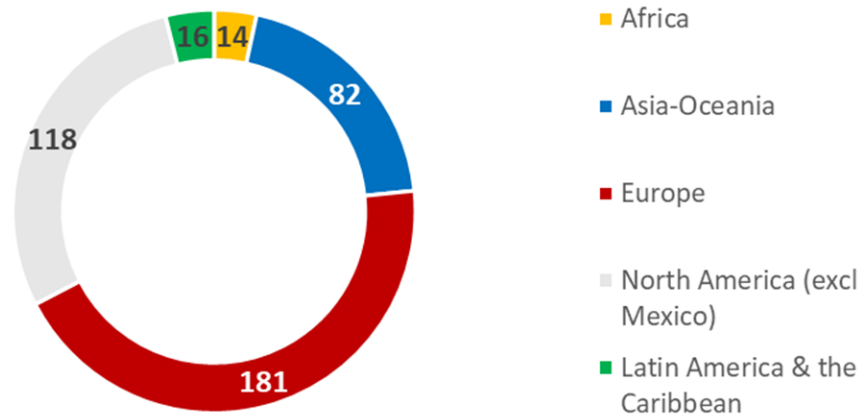
Comment period ended on 1 September with over 400 submissions provided.



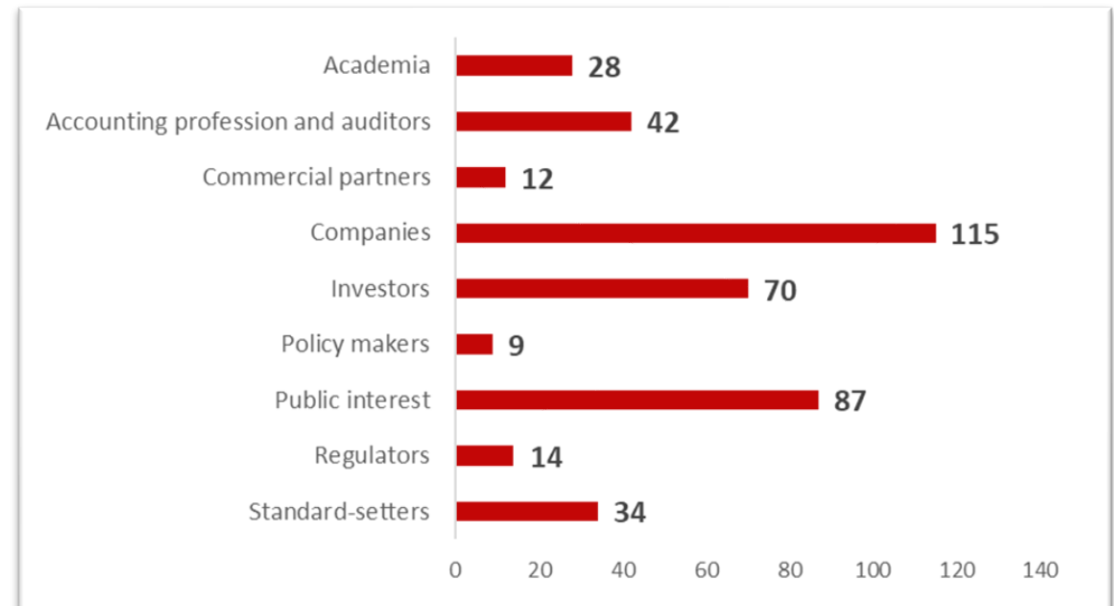
Technical staff are analysing responses

- 411 responses received by 1 September (251 surveys and 160 comment letters)

Summary of responses by region



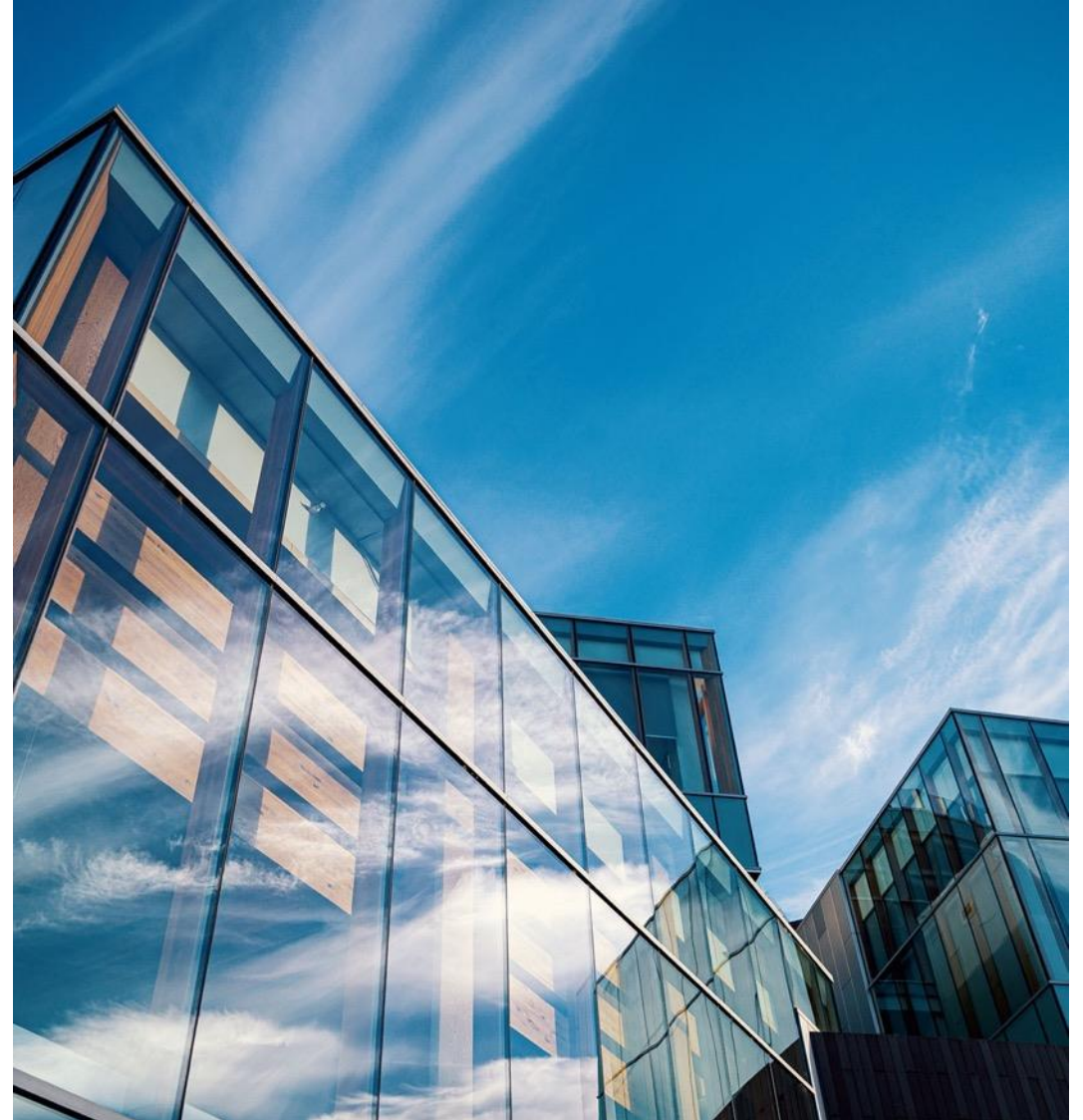
Summary of responses by stakeholder type



How and why to prepare

The ISSB Standards can deliver

- **For investors:** access to more consistent, comparable, verifiable and comprehensive disclosures.
- **For companies:** positive effects on areas such as governance, strategy, access to capital, cost of capital, reputation, and employee and stakeholder engagement.
- **For financial markets:** improved transparency about sustainability-related risks is expected to contribute to long-term financial stability.



How to get started

- Evaluate **internal systems and processes** for collecting, aggregating, validating sustainability-related information across the company and its value chain
- Consider the sustainability-related **risks and opportunities** that affect the business
- Get familiar with the **fundamental concepts** within IFRS S1



Resources

- Basis for Conclusions on IFRS S1
- Basis for Conclusions on IFRS S2
- Effects Analysis on IFRS S1 and IFRS S2
- Project Summary of IFRS S1 and IFRS S2
- Feedback Statement for IFRS S1 and IFRS S2



ISSB will enhance and maintain the SASB Standards

Active project

Enhancing the **international applicability** of the SASB Standards:

- updates to remove and replace jurisdiction-specific references and definitions without significantly altering industries, topics or metrics
- SASB Standards to be **updated by 1 January 2024** based on outcomes of consultation
 - ISSB received ~150 comment letters
 - Initial analysis indicates broad support for direction of travel

Looking ahead

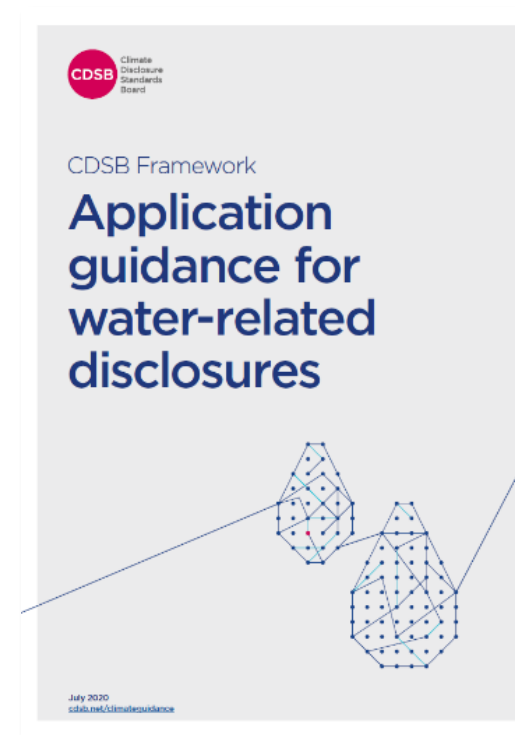
- Advancing the industry-based research and standard-setting work inherited from SASB
 - initial focus on projects in which recommendations had already been published by SASB
- Maintaining the SASB Standards through research, consultation, outreach and revisions
- Position the 77 industry-specific disclosure standards as a **proportionality measure** and remain open to feedback from stakeholders

CDSB Framework application guidance

Guidance around environmental and social issues that may be considered by companies, as referenced in IFRS S1



Assists in disclosure about risks and opportunities that biodiversity presents to an organisation's strategy, financial performance and condition



Offers a means of ensuring investors receive material water-related information needed

Integrated Reporting Framework

Use to integrate and present reporting, including disclosures prepared applying ISSB Standards



Drives connectivity between financial statements and sustainability-related financial disclosures



IFRS S1 uses concept of resources and relationships from the Integrated Reporting Framework to describe connection between sustainability and prospects



Supports high-quality corporate reporting



Underpinned by integrated thinking, to enhance quality of corporate governance

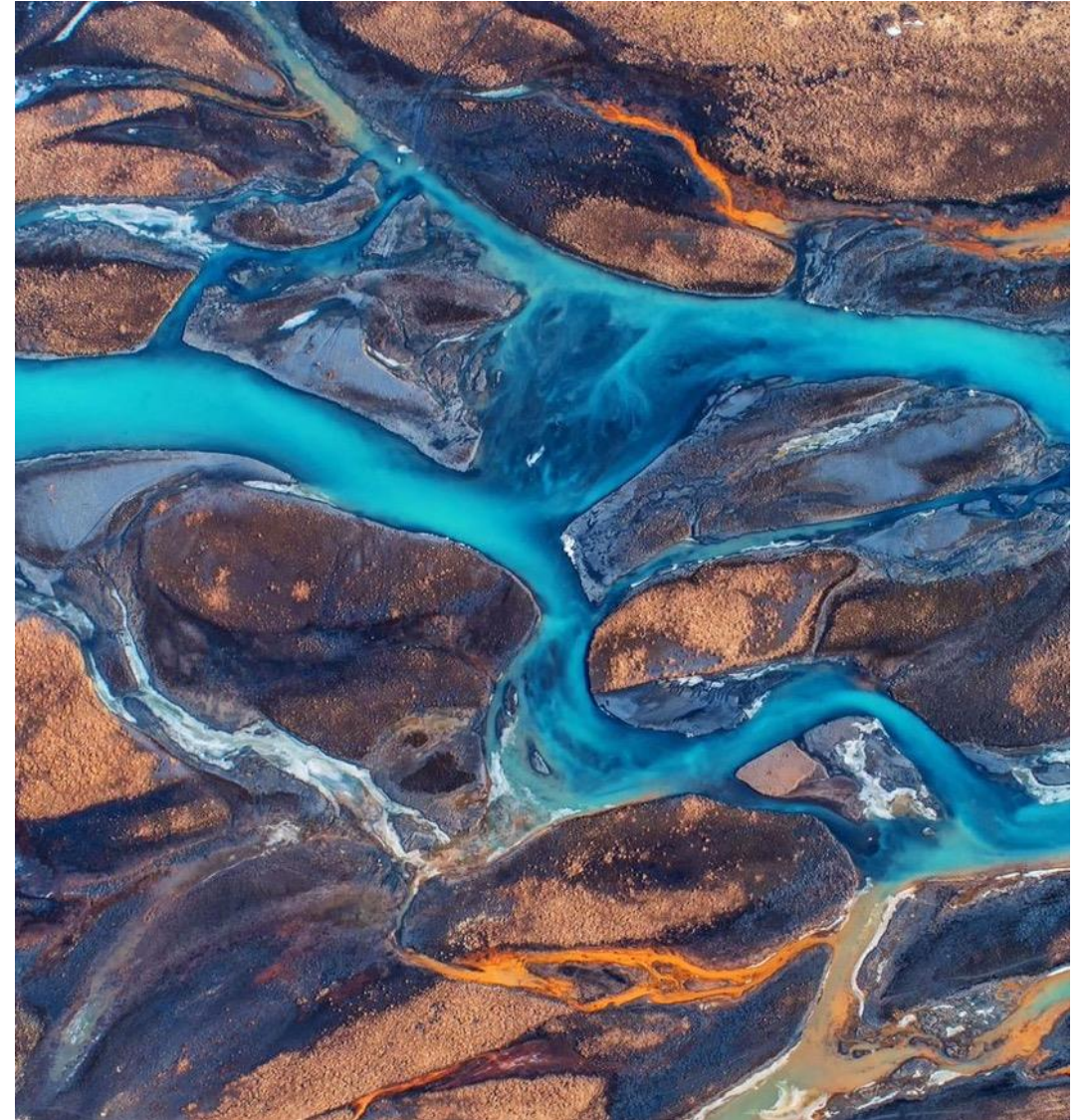
Implementation support and education

Capacity building initiative

- Development of general educational materials for all stakeholders (including investors)
- Development of specific educational materials for stakeholders in emerging and developing economies as well as smaller companies

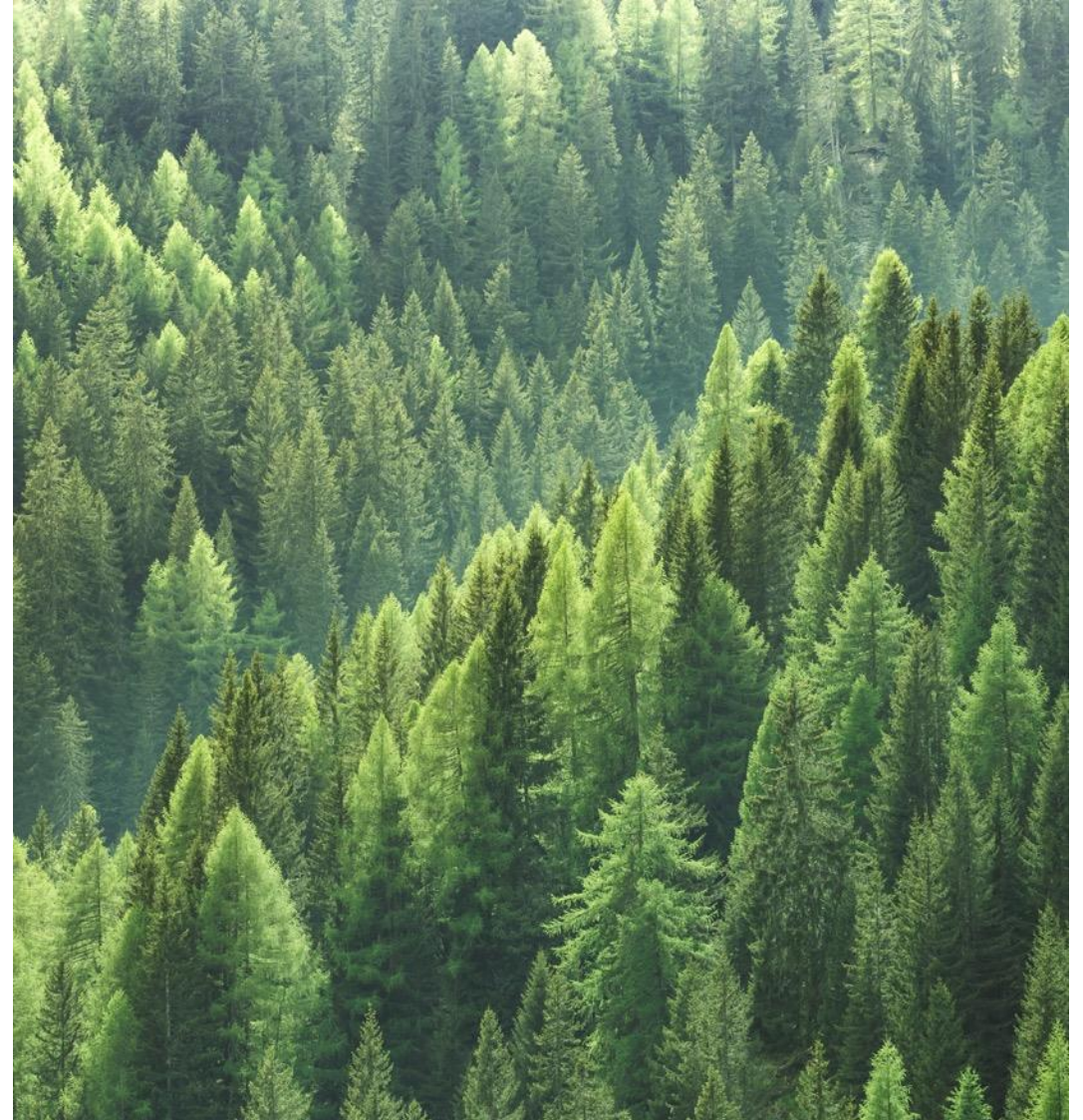
Support implementation by companies

- Transition Implementation Group - a public forum for stakeholders to follow the discussion of questions raised on implementation by those applying the Standards



Capacity building with and through partners

- 30+ global and local partners committed to ensuring readiness through the ISSB's Partnership Framework
- Considering specific circumstances of emerging and developing economies and smaller companies
- Focused on enabling consistent and comparable high-quality disclosures to bring benefits of sustainability-related disclosures to all





Global support



Securities regulators endorse ISSB Standards:



Investors are demanding better information about sustainability risks and opportunities, and the G20, the G7, and the FSB rely on IOSCO to assess whether the ISSB Standards are fit for purpose for capital markets.

Our members, working together, have carefully analysed the ISSB's standards against IOSCO's endorsement criteria.

IOSCO has found that the ISSB conducted a robust process and have concluded that these standards serve as an effective and proportionate global framework of investor-focused disclosures on sustainability- and climate-related risks and opportunities.”

Jean-Paul Servais, Chair

International Organization of Securities Commission (IOSCO)



The global economy needs common reporting standards to reduce fragmentation and drive comparability in climate-related financial data. Built upon the foundation of the TCFD framework, the ISSB standards provide a global baseline for companies to disclose decision-useful, climate-related financial information - information that is critical for creating more transparent markets, helping achieve a smooth low-carbon transition, and building a more resilient and sustainable global economy.”

Mary Schapiro, Head of Secretariat

Task Force on Climate-related Financial Disclosures (TCFD)



The publication of the first two ISSB Standards represent a vital step forward in establishing a global baseline for sustainability reporting. Consistent and comparable sustainability information, paired with financial information, empowers investors and stakeholders to gain a comprehensive understanding of a company's performance and their commitment to driving sustainable value creation. We look forward to our continued collaboration.”

Klaus Schwab
Founder and Executive Chairman
World Economic Forum



We welcome the inaugural International Sustainability Disclosure Standards which deliver a global baseline of sustainability-related financial disclosures that have the potential to enhance Asian capital markets through attracting more investment and boosting private sector development in Asia. We encourage Asian Development Bank members to give their consideration to the implementation of the Standards.”

Woochong Um
Managing Director General
Asian Development Bank

“

I commend and applaud the ISSB for issuing both the climate related and the general requirements disclosures standards: companies and investors are in dire need to have a common language to report and value their climate and social sustainability strategies.”

**Ilham Kadri, Executive Committee Chair
World Business Council for Sustainable Development**



High quality data is necessary to support price discovery and capital formation and facilitates efficient capital markets. ISSB Standards will equally support preparers in communicating sustainability information to their investors and other providers of capital.”

**Richard Manley, Chair and
Carine Smith Ihenacho, Vice Chair
ISSB Investor Advisory Group**

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